

# Total Talk

September / October 2018

## *Government suggests new standards regarding rental properties*

Whilst we do not have a property management division at Total Realty, we do sell a lot of rental properties. We are frequently being asked about upcoming law reforms and proposals. The question on the mind of a lot of landlords is whether they should sell their rental properties before proposed changes come into play. I'm sure you are all well aware of the obligations regarding insulation for 2019 but some of you may still be in the dark about other proposed changes. We will highlight some of the main ones currently being discussed:

The government is suggesting 5 new standards to be introduced with regards to rental properties. They are around: heating, insulation, ventilation, moisture ingress and drainage and draught stopping. Heating in particular is controversial at the moment as the government proposes that a 'heating unit' be provided inside every bedroom. Currently it is only a requirement in the living area. Debate is around whether tenants most affected by cold, damp rentals can even afford to run multiple heating units due to high electricity bills.

Landlords are also arguing that it is very common for tenants not to open windows or allow a flow of fresh air into the property. They say this is evident by the build up of mildew on window sills and curtain linings in new homes that are currently tenanted. They want the tenants to be held responsible as well as the landlords.

The government is also looking at lease conditions and considering whether they increase the notice period landlords must give tenants if they wish to terminate a tenancy. Also under consideration is restricting rent increases to once per year.

If you are a landlord or tenant it is good to be involved and have your say. An online submission survey is available at: [www.mbie.govt.nz/rta-reform](http://www.mbie.govt.nz/rta-reform).

## Property Loss Ring-fencing

Under current tax rules you are able to deduct losses on rental properties from other sources of income, e.g. your salary or wages and thereby reducing your overall tax to pay. The IRD has proposed the introduction of "ring-fencing" any losses from residential rental properties. This simply means that losses from your rental properties can no longer be offset against personal income, or income from other sources. However losses from multiple rental properties can still be offset against each other.

For example if one rental loses you \$10,000 and the other makes \$8,000 then the net tax loss is \$2,000 which with ring-fencing can no longer be offset against personal income. This loss however can still be carried forward into subsequent tax years and offset against future profits of the property portfolio. This means that the losses are not "lost" and simply offset at a delayed future date.

The rules would not apply to a person's main home or a property that is subject to the mixed-use assets rules (e.g. a holiday home that is also used to generate rental income).

The motivation for these changes is to discourage highly-g geared property investors from outbidding owner-occupiers for properties and in effect making housing more affordable.

This legislation is set to commence in the 2020 tax year, i.e. from 31 March 2019 for most people.



## 1% Myths Exposed

**Definition of 'Myth':** "an invented story, idea, or concept"

**Myth:** "If Total Realty only charge 1% commission while others charge 3.95% then they must be cutting corners..."

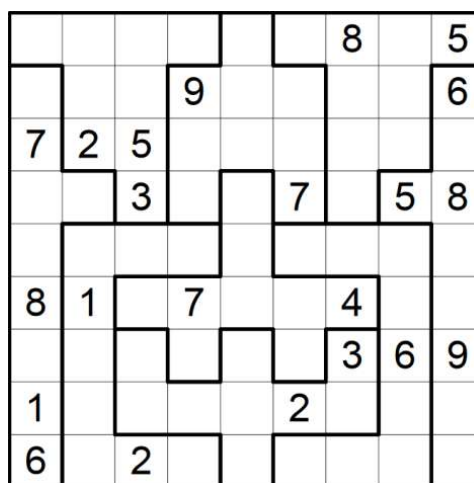
**THE TRUTH:** Total Realty does not cut corners. We can offer a low commission rate because we have created a modern, efficient, technology centric and streamlined business. Other companies charge a high commission rate to cover overheads such as franchise fees, CEOs, offshore spending, multi-tiered management structures, lavish offices, and outdated office systems, none of which contribute directly towards selling your home. Where do our huge savings go? Straight to you..

## Brain Workout - Sudoku

*Can you work out this "Jigsaw Sudoku"?*

Fill in the numbers from 1 to 9 without repeating any in a row or column, or outlined jigsaw piece!

Good Luck.



## Laughter is the best medicine

### Wait For The signs

A real estate agent was dismayed when a brand new real estate franchise much like his own opened up next door and erected a huge sign which read BEST AGENTS. He was horrified when another competitor opened up on his right, and announced its arrival with an even larger sign, reading LOWEST COMMISSIONS. The real estate agent panicked, until he got an idea. He put the biggest sign of all over his own agency - it read... **MAIN ENTRANCE.**



*"Thinking of selling? Call us today!"*

**Rachael Cone, AREINZ**  
Business Owner / Principal  
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## Stats - FROM THE - Street

### Median Sale Prices

Aug 2018 (vs Aug 2017)

<b>National</b> (+3.5%)	<b>\$549,000</b>
<b>Auckland</b> (+1.4%)	<b>\$852,000</b>
<b>Wellington</b> (+10.0%)	<b>\$715,000</b>
<b>Christchurch</b> (0.0%)	<b>\$440,000</b>
<b>Nelson</b> (+1.0%)	<b>\$525,000</b>
<b>Dunedin</b> (+17.8%)	<b>\$411,000</b>

### What people are saying about us

"Total Realty charges a much more reasonable commission plus they have an excellent reputation, great sales records, and experienced staff.

I had multiple agents coming through this house to give appraisals. We're moving overseas and needed a definite sale, but with a good price. When you're selling your home, it's a bit much to ask that you pay \$18,000 in real estate agent fees. Total Realty proved to be the smartest option for us. It was under offer after the first open home, and at a price we liked. More people need to use this company. They are truly sensational. Thank you Total Realty!"

**M & Y Bracefield**